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**HF 2437** – Inheritance Taxes (LSB 5555YH)

Analyst: Jeff Robinson (Phone: (515) 281-4614) ([jeff.robinson@legis.iowa.gov](mailto:jeff.robinson@legis.iowa.gov))

Fiscal Note Version – New

Requested by Representative Sandy Salmon

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**Description**

**House File 2437** exempts from the State inheritance tax the entire amount of an inheritance passing to any natural person. The exemption is effective for deaths occurring on or after July 1, 2014.

**Background**

Iowa currently exempts inheritances passing to a surviving spouse as well as all lineal ascendants and descendants. This Bill broadens the exemption to include any natural person filing under Schedule B, Schedule C, and individual beneficiaries under Schedule F of the [Iowa Inheritance Tax Schedule](#).

**Assumptions**

- Using a sample of actual inheritance tax returns, the Department of Revenue determined that 98.0% of all inheritance tax received by the State comes from inheritances received by natural persons. Based on this sample, this Bill is assumed to reduce projected inheritance tax revenue by 98.0%.
- Inheritance tax returns are due to the State six months after death. With an effective date of July 1, 2014, the impact on FY 2015 is a partial annual impact.
- All inheritance tax revenue is deposited to the State General Fund.

**Fiscal Impact**

The expanded inheritance tax exemption contained in this Bill is projected to reduce net General Fund revenue by the following amounts:

- FY 2015 = \$-46.7 million
- FY 2016 = \$-110.3 million
- FY 2017 = \$-117.3 million
- FY 2018 = \$-126.0 million

The fiscal impact of the law change continues at a similar level beyond FY 2018.

**Source**

Department of Revenue

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/s/ Holly M. Lyons

March 25, 2014